

AR53

1980
ANNUAL REPORT
AMP
INCORPORATED
Pamcor, Inc.

INCREASING PRODUCTIVITY IN ELECTRONIC CONNECTIONS

HIGHLIGHTS

	1980	1979	Gain
Sales	\$1,155,382,000	\$1,013,241,000	14%
Net Income	\$ 131,274,000	\$ 121,286,000	8%
Net Income as % of Sales	11.4%	12.0%	
Earnings Per Share ⁽¹⁾	\$3.65	\$3.36	9%
Dividends Per Share ⁽²⁾	\$1.00	76¢	32%
Research, Development and Engineering	\$ 104,000,000	\$ 90,000,000	16%
Capital Expenditures	\$ 113,300,000	\$ 96,000,000	18%
Backlog	\$ 248,000,000	\$ 230,000,000	8%
Employment	18,650	18,625	—

(1) (2) See facing page.

PROFILE

General

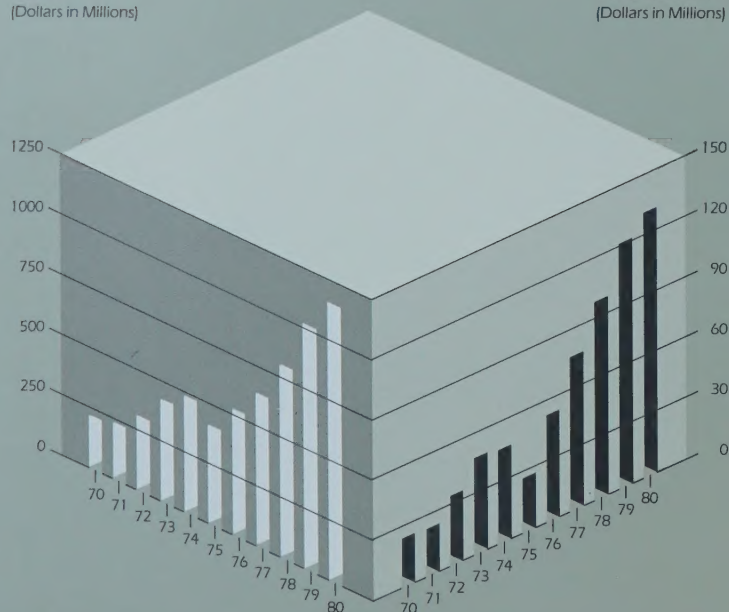
World's leading producer of electrical/electronic connection devices.

Founded in 1941, AMP is headquartered in Harrisburg, Pennsylvania. It has a Puerto Rican manufacturing affiliate, Pamcor, Inc. (identical shareholder ownership), and 25 wholly owned subsidiaries and branches: a domestic subsidiary in the U.S. and 24 international subsidiaries and branches —

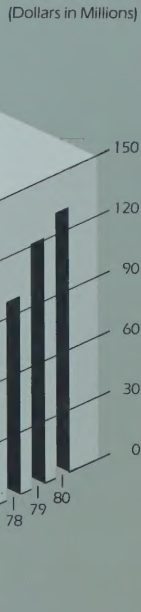
1 in Canada, 3 in South America, 14 in Europe, and 6 in the Far East.

AMP's steady growth (sales up all but 3 of 39 years) achieved entirely through new products and markets without acquisitions. Net profit margins averaged 10-12%; Return on Shareholders' Equity 20-25%.

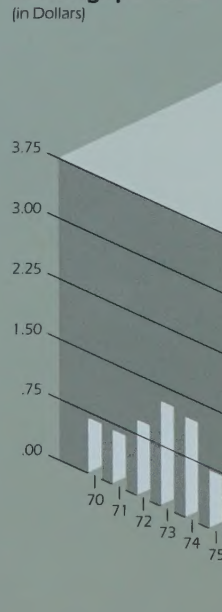
Sales
(Dollars in Millions)



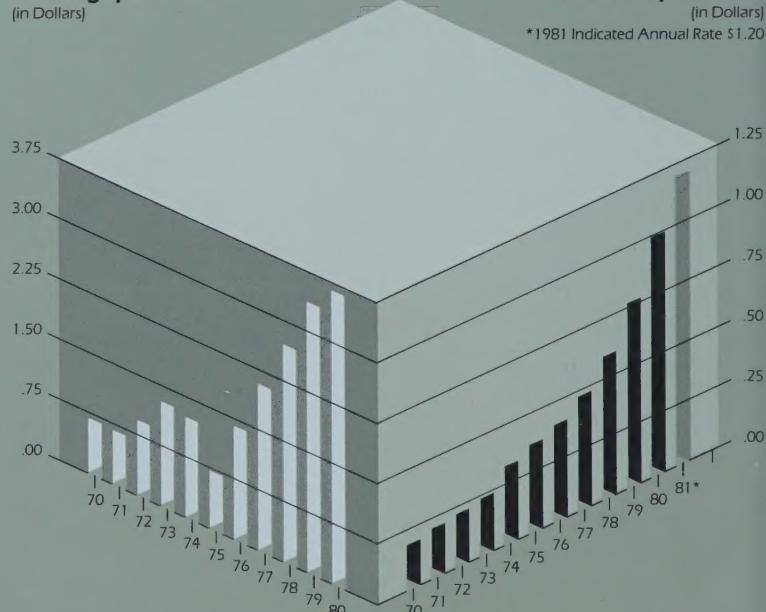
Net Income
(Dollars in Millions)



Earnings per Share
(in Dollars)



Dividends per Share
(in Dollars)
*1981 Indicated Annual Rate \$1.20



For the past decade, sales, earnings and dividends have grown at over a 15% compound annual rate.

AMP's Rankings on Latest Fortune 500 Industrials List

	1980*
Sales	281st
Net Income	158th
Net Income as % of Sales (12.0%)	28th
Earnings Per Share Growth Rate (17.7% for 1969-1979)	77th
Return on Equity (25.2%)	31st

*1980 Directory based on 1979 results.

- ◀ (1) Currency exchange rate changes increased earnings 14¢ per share in 1980 and decreased earnings 8¢ per share in 1979.
- (2) In January, 1981, the quarterly dividend increased 20% to 30¢/share for an indicated annual rate of \$1.20/share — the 28th consecutive annual increase.

AMP Stock Data

Listed: New York Stock Exchange

Traded: NY, Boston, Midwest,
Pacific, Philadelphia

Symbol: AMP

No. Shareholders: 7,513

Over two-thirds of AMP stock is held by more than 250 financial institutions, and the Company is followed by major brokerage firms.

For further information, call or write Investor Relations Dept., AMP Incorporated, Harrisburg, PA 17105.

The Cover

This advanced mass termination equipment cuts, strips, terminates and installs up to 12 wires simultaneously into connector housings for high-volume production of a variety of simple wiring harnesses at rates of up to 600 per hour. Recently developed for a long-time major European customer, it exemplifies our growing emphasis on providing customers with greater productivity and lower installed costs in making electrical connections through new labor-saving products and application tooling.

AMP Means Productivity—our marketing theme for the 1980's.

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5	Management Analysis — Discussion of liquidity, capital resources, and results of operations.	25
8	Operations — Major portion of domestic manufacturing facilities within 50-mile radius of General Offices at Harrisburg, PA. Other operating facilities in Florida, North Carolina, South Carolina, Virginia, and various subsidiary locations. Employment 18,650. Floor space 6,300,000 sq. ft.	Financial Statements — Comparative three-year statements and statistics, unless otherwise noted, include AMP Incorporated, its affiliate Pamcor, Inc., and all subsidiaries (all wholly owned).
9	Markets — Customers: over 25,000 Original Equipment Manufacturers (OEM's) of all types of electrical and electronic equipment; over 60,000 other companies who install and maintain equipment.	Inside Back Cover —
10	Aerospace and Military	Corporate Data — Officers,
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TO THE SHAREHOLDERS

"The accelerating efforts of our customers to reduce costs and improve their productivity will be a key factor in the 1980's. As the leader in providing "lower installed costs", i.e. higher productivity, in applying electrical/electronic connection devices, we are presented with a unique opportunity...."

1980 was a year of record results—sales up 14% to \$1,155,400,000 and earnings up 8% to \$3.65 per share—but also a year of transition. After nearly five years of steady growth, our business leveled off in the second half due to recessionary effects that appeared in the spring in the U.S. and in the fall in Europe. Timely, pre-planned actions were taken to adjust production, employment and other costs to sales levels lower than originally prepared for. These actions permitted us to achieve fairly normal profit margins, while preserving our liquidity and long-term capabilities.

We spent a record \$113,300,000 on capital expenditures in 1980, up from \$96,000,000 in 1979—tangible evidence of our confidence in the future. We did stretch out and postpone some projects to scale down our more ambitious original plans. However, we continued to add more capacity and new capabilities, and improve productivity, to prepare for a resumption of growth. For five quarters, capital spending has been in the \$25-35 million range; and we expect to continue at a similar pace for the near future—with perhaps a pickup later in the year as the outlook improves.

Very significant organizational changes occurred during the past year. At their January 28, 1981 meeting, the Board of Directors acknowledged the retirement of Mr. C. J. Fredricksen who has been Chairman of the Board since 1975 and elected Mr. Joseph D. Brenner to succeed him. The Board also elected Mr. Walter F. Raab Vice Chairman of the Board and Mr. Harold A. McInnes President.

Mr. C. J. Fredricksen has been with the Company since its inception in 1941 and served in various management capacities. Although

retiring from his active role with the Company, he will continue as a Director, will be Chairman of the Executive Committee of the Board, and a senior consultant to the Company.

Mr. Joseph D. Brenner has been with the Company since 1947, has served as its President since 1971 and before that was responsible for various operating functions. He has been Chief Executive Officer since 1972 and will continue in that capacity.

Mr. Walter F. Raab has been a member of the Board since 1975 and its Executive Committee since 1979. Mr. Raab has been with the Company since 1953 and was elected Treasurer in 1968 and Vice President in 1971. He will continue as Chief Financial Officer.

Mr. Harold A. McInnes was also elected a member of the Board of Directors and its Executive Committee. Mr. McInnes, formerly Vice President, Engineering and Technical Resources, has been with AMP since 1965 in various positions in the engineering and operations areas.

Mr. Wilson D. Lewis, having reached the prescribed retirement age for directors, retired after serving on the Board of Directors since 1976. His friendship and valuable counsel have been greatly appreciated.

At a special meeting of the Board in February, 1981, Mr. William S. West was elected a director. Mr. West is the Chairman and Chief Executive Officer of The West Company, Phoenixville, PA, manufacturer of packaging components, principally for the pharmaceutical and hospital supply industries.

In a further broadening of our organization in 1980, James E. Marley, a divisional vice president since 1970, was appointed Divisional Vice President, Manufacturing. Mr. Marley, formerly Divisional Vice President, Manufacturing Resources, has been with AMP for 17 years and has served in various operating positions. In addition, John R. Hopkins, a divisional vice president since 1978, has been re-assigned and appointed Divisional Vice President, Special Products. He has been with AMP for nearly 20 years.

Eight long-time employees were appointed divisional vice presidents: Ted L. Dalrymple, International Sales;



Harold A. McInnes
President

Walter F. Raab
Vice Chairman of
the Board and Chief
Financial Officer

Dan L. Eyre, Facilities and Vendor Resources; Philip G. Guarneschelli, Industrial Relations; G. Russell Knerr, Jr., Data Systems Sales; Harold W. Narigan, General Products; Richard D. Seall, International Finance; Robert J. Steele, Telecom Sales; and Joseph P. Sweeney, Technology. All eight men have been with AMP for 16 or more years and have served in their present or closely related positions for the past several years.

As previously announced, AMP and Midland Investment Company agreed in principle to a merger in which Midland would cease to exist and Midland's shareholders would become direct AMP shareholders. Midland is a privately owned investment company which provided venture capital funds to AMP in its early years and currently owns 5,230,000 shares of AMP stock. On January 28, 1981, the Board of Directors authorized execution of the agreement and submission to shareholders for action at the regular annual meeting, April 23, 1981. The proxy statement to be mailed in March 1981, will include a detailed description of the merger proposal.

Our performance has consistently placed us in the top ranks in various company ratings on growth, profitability and return on investment. Our steady progress has been based on the dramatic growth in the use of electrical and electronic equipment in modern society—and the increasing importance of the components within that equipment. The accelerating efforts of our customers to reduce costs and improve their productivity will be a key factor in the 1980's. As the leader in providing "lower installed costs", i.e. higher productivity, in applying electrical/electronic connection devices, we are presented with a unique opportunity to serve this growing need. In response, we are placing even greater emphasis on developing appropriate labor-saving application tools and machines for our customers. As evident in this report, the range of AMP application tooling is steadily broadening—new ways of applying existing products, new products designed to be applied with present tooling, and new tooling developed for specific new products.

Considering the excellent growth prospects for the end markets we serve and our deliberate orientation to the fastest-growing segments of those markets, we are very optimistic about AMP's long-term future.

While the recessionary climate may prevent significant growth in Europe for several quarters, gradual recovery in our domestic business does seem underway. Overall, it appears that our worldwide sales will show only modest improvement for the next few months—with real growth perhaps resuming in the fall.

The 20% increase in the dividend in January, 1981, to an indicated \$1.20 per share annual rate is the 28th consecutive annual increase.

Having successfully weathered a recessionary year that required many adjustments, we are particularly grateful for the excellent cooperation and dedication of our employees and the fine support of our customers and suppliers.

Sincerely,



C. J. Fredricksen
Chairman of the
Executive Committee

J. D. Brenner
Chairman of the Board
and Chief Executive Officer

February 26, 1981
Harrisburg, PA

For the Year (\$ in Millions)	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Net Sales	\$1,155.4	\$1,013.2	\$801.1	\$633.0	\$522.0	\$409.6	\$482.1	\$418.0	\$302.1	\$239.6	\$225.8
Gross Income	456.0	430.3	345.8	274.4	212.2	150.3	194.3	179.7	133.2	100.8	98.8
Income From Operations	233.8	234.7	183.7	146.1	102.5	59.9	98.6	93.6	66.8	46.3	46.1
Interest Expense	(14.2)	(10.0)	(9.2)	(8.4)	(7.7)	(9.6)	(12.0)	(3.2)	(2.0)	(2.5)	(2.4)
Other Income, Net	11.1	3.3	5.5	3.6	2.7	1.8	3.3	2.2	.9	1.5	1.2
Income Before Income Taxes	230.7	228.0	180.0	141.3	97.5	52.1	89.9	92.6	65.7	45.3	44.9
Income Taxes	99.4	106.7	82.3	65.4	45.5	25.1	44.4	45.4	31.7	21.1	20.4
Net Income	\$ 131.3	\$ 121.3	\$ 97.7	\$ 75.9	\$ 52.0	\$ 27.0	\$ 45.5	\$ 47.2	\$ 34.0	\$ 24.2	\$ 24.5
Net Income Per Share ⁽²⁾⁽³⁾	\$3.65	\$3.36	\$2.67	\$2.06	\$1.40	73¢	\$1.23	\$1.28	92¢	66¢	67¢
Foreign Currency Effects included in Net Income Per Share ⁽³⁾	14¢	(8¢)	18¢	(1¢)	(9¢)	(2¢)	—	10¢	4¢	1¢	—
Cash Dividends	\$ 36.0	\$ 27.4	\$ 22.0	\$ 17.7	\$ 15.2	\$ 13.7	\$ 12.2	\$ 9.1	\$ 8.2	\$ 7.9	\$ 7.1
Cash Dividends Per Share ⁽²⁾⁽⁴⁾	\$1.00	76¢	60¢	48¢	41¢	37¢	33¢	24¾¢	22¢	21½¢	19½¢
Capital Expenditures	\$ 113.3	\$ 96.0	\$ 58.8	\$ 44.6	\$ 20.2	\$ 23.1	\$ 59.2	\$ 53.3	\$ 23.5	\$ 15.0	\$ 23.3
Depreciation	41.9	33.9	29.9	25.5	24.0	21.7	16.8	13.1	11.7	11.5	10.4
Research, Development and Engineering	\$ 104.0	\$ 90.0	\$ 74.0	\$ 58.0	\$ 47.0	\$ 39.0	\$ 46.0	\$ 42.0	\$ 30.0	\$ 24.0	\$ 23.0
At December 31 (\$ in Millions)											
Working Capital	\$ 367.8	\$ 324.7	\$285.3	\$246.2	\$197.2	\$151.2	\$105.1	\$104.6	\$102.5	\$ 85.6	\$ 71.8
Property, Plant and Equipment, Net	319.1	251.9	192.9	167.0	149.4	157.8	158.2	117.6	78.8	68.4	65.6
Total Assets	929.2	824.0	661.5	560.2	475.0	415.7	425.0	345.2	243.9	205.0	184.3
Long-Term Debt	50.1	48.5	44.9	46.8	40.1	42.5	16.5	12.6	12.2	12.6	12.3
Total Debt	102.3	102.3	79.6	77.0	61.4	70.6	95.0	56.8	21.4	22.2	23.6
Shareholders' Equity	577.7	481.3	394.2	334.8	284.3	250.9	236.6	202.4	163.3	137.4	121.4
Backlog	\$ 248.0	\$ 230.0	\$163.0	\$115.0	\$ 98.0	\$ 73.0	\$ 87.0	\$ 99.0	\$ 58.0	\$ 42.9	\$ 43.3
Number of Employees	18,650	18,625	16,925	15,075	13,940	12,847	13,537	14,830	11,585	10,306	10,426
Shares of Stock Outstanding ⁽²⁾ (Millions)	36.0	36.0	36.2	36.7	37.0	37.1	37.0	37.0	36.9	36.9	36.8

(1) For further information see Notes to Combined Financial Statements.

(2) Per share data based on weighted average shares outstanding. Shares outstanding are adjusted to retroactively give effect to the 3-for-1 stock split in 1973.

(3) The total quantifiable effect of foreign currency rate changes included in net income per share. See Note 3 to Combined Financial Statements for additional information on years 1980, 1979, and 1978.

(4) In January, 1981 the dividend was increased 20% to an indicated annual rate of \$1.20 per share.

The financial position has strengthened steadily—the balance sheet is the strongest in AMP's history, the only public debt issue has the second highest possible rating (AA+), and the Company has the capability to largely self-finance its expansion.

Liquidity:

Liquidity of the Company has been maintained at high levels and improved in some aspects. The ratio of current assets to current liabilities has been fairly steady at 2.5-to-1 at year-end 1980, 2.3-to-1 at year-end 1979, and 2.6-to-1 at year-end 1978. In response to sales growth, current assets, current liabilities, and working capital all rose steadily in first half 1980, as well as in 1979 and 1978. With the leveling of sales in second half 1980, current liabilities were reduced \$33,000,000, while current assets held nearly level as the reduction in receivables and inventories was almost offset by the increase in cash and marketable securities. This resulted in a further

rise in working capital to a record \$368,000,000 at year-end 1980. Cash and marketables, while still being maintained at very adequate operating levels, declined only slightly to \$92,000,000 at year-end 1980 from the \$95-96,000,000 level at year-ends 1979 and 1978, after a reduction of \$19,000,000 in 1978 from record high levels.

Reflecting tight controls, receivables were reduced significantly during the second half of 1980 after rising steadily during the first half of 1980, as well as in 1979 and 1978. For the entire 1978-1980 period, receivables rose at a lower rate than sales. Inventories declined slightly in second half 1980 as sales leveled, after rising at a faster rate than sales in the first half of 1980 due to slower sales growth and in 1979 because of significant increases in gold, copper, and plastic materials costs. Inventories rose in line with sales in 1978.

Total debt was steady at \$102,000,000 in 1980 after rising \$23,000,000 in 1979 and \$3,000,000 in 1978, due to additions to our international debt. As a result of total debt holding steady while shareholders' equity rose \$96,000,000 in 1980, the percent of total debt to shareholders' equity was reduced to 18% at year-end 1980 compared to 21% at year-end 1979 and 20% at year-end 1978.

Capital Resources:

The Company's growth has been largely financed from internally generated funds through good profit margins, steadily rising depreciation provisions, high returns on assets employed, and a conservative dividend payout. In the past three years, the \$489,000,000 cash flow—net income of \$350,000,000 plus depreciation and other expenses not requiring current outlays of \$139,000,000—exceeded the \$475,000,000 aggregate of capital expenditures of \$268,000,000, the working capital increase of \$122,000,000, and dividends of \$85,000,000.

We do not see any changes in the basic nature of our business and, therefore, expect to maintain our capability of largely self-financing our expansion. To supplement our internal cash flow, particularly during periods of rapid expansion, we can, with AMP's very high credit ratings and relatively low debt-to-equity ratio, arrange extensive additional bank credit lines and use other sources such as the commercial paper, note, and bond markets. Therefore, we do not anticipate any need for equity financing.

Our lease commitments are very modest since we own nearly all of our equipment and three-fourths of our buildings. See Note 7, page 29, for lease commitments.

(Continued page 6)

Annual Stock Price Range	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
High	56 ¹ / ₄	41	40	30 ³ / ₈	35 ⁵ / ₈	40 ⁷ / ₈	45 ¹ / ₄	52 ⁷ / ₈	44	24 ³ / ₈	19 ⁵ / ₈
Low	33	29 ¹ / ₂	24	24 ¹ / ₄	26	23 ¹ / ₈	20 ³ / ₈	35 ³ / ₄	22 ⁷ / ₈	18	13 ⁵ / ₈

Principal Transfer Agent and Registrar
Manufacturers Hanover Trust Company
Four New York Plaza
New York, NY 10015

Co-Transfer Agent
The Continental Stock Transfer
and Trust Co.
30 Montgomery Street
Jersey City, NJ 07302

Quarterly High-Low Price Range	1980	1979
1st Quarter	40 ¹ / ₄ - 34 ³ / ₈	36 ⁷ / ₈ - 29 ¹ / ₂
2nd Quarter	41 - 33	36 ³ / ₈ - 31 ¹ / ₄
3rd Quarter	51 ¹ / ₂ - 37 ⁵ / ₈	40 ¹ / ₈ - 34 ⁵ / ₈
4th Quarter	56 ¹ / ₄ - 44 ³ / ₈	41 - 34 ⁵ / ₈

Prices are adjusted retroactively for the 3-for-1 stock split in 1973.

In 1981 we expect to maintain capital expenditures at approximately the 1980 rate, and to increase working capital significantly. Capital spending commitments are very diversified among many different projects, both here and abroad, with no one project significant. To supplement our internal cash flow, and to follow our long-term strategy of minimizing our net exposure to currency and other risks, we expect a continued gradual rise in the debt carried by our international subsidiaries—while domestic debt should remain fairly level.

Results of Operations:

Sales, earnings, and dividends have grown at over a 15% compound annual rate for the past quarter century. Pre-tax profit margins have averaged 20% and after-tax margins have usually been 10-12%. Return on shareholders' equity has averaged 20-25%.

Profit margins are volume sensitive—tending to rise above normal with rapid sales growth and high capacity utilization, and dropping below normal

when sales growth is interrupted. With only two exceptions in the past 30 years (1958, 1975), AMP's performance during recessions has been for sales to level off or grow only modestly, while earnings flatten out or decline slightly.

In the first half of the 1970's (mid-1971 to mid-1974), sales rose rapidly in response to strong economic growth and an unprecedented buildup in customer inventories. Profit margins rose to record levels. The 1974-1975 recession here and abroad, the worst since the 1930's, caused the only significant drop in sales (15%) and net income (41%) since 1958, and a sharp decline in profit margins. In addition to customer production cutbacks, component suppliers such as AMP were also greatly affected by massive, persistent customer inventory reduction. AMP took many actions to reduce employment levels, cut costs, and modify expansion activities—but with emphasis on preserving long-term capabilities and being ready for the next upturn.

AMP's sales growth resumed in late 1975 in response to economic recovery and rebuilding of depleted customer inventories. Rapid sales growth occurred in 1976 through the spring of 1980 (25% average annual rate) as AMP's markets prospered. Profit margins were first restored to normal levels in 1976 and to above-average levels in 1977, 1978 and 1979 (22-23% pre-tax, 12% after tax). The capacity utilization rate, which dropped significantly in 1974-1975, rose to virtually full utilization in 1978 through early 1980, and currently is in a comfortable 80-85% range.

The first sign of an impending recession in the late 1970's was our nearly flat sales to the domestic consumer-oriented markets in 1979. A general downturn in domestic orders began in the spring of 1980 and lasted for several months.

Although domestic sales remained flat in 1980's fourth quarter, the order rate showed gradual improvement. Internationally, after setting new highs in sales and orders in the second quarter, sales leveled off and the order rate declined during the fourth quarter.

The interruption of sales growth in 1980 placed domestic and then later international profit margins under some pressure. Domestic margins were normal in the first quarter, declined for two quarters, and partially recovered in the fourth quarter as earlier cost reduction actions, described on page 8, took full effect. International margins were normal until the fourth quarter when lack of sales growth caused a modest reduction.

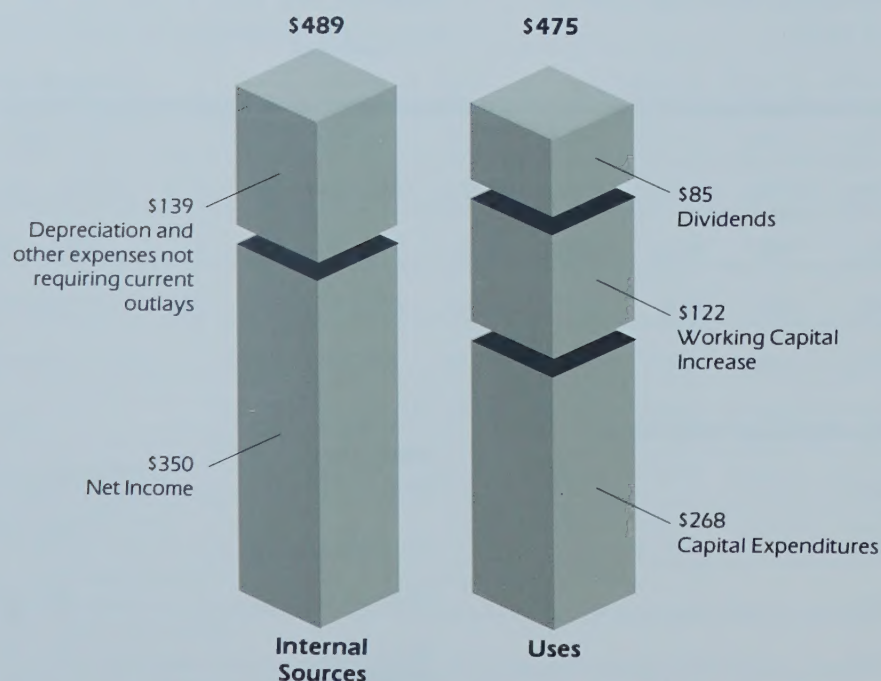
Domestic net income declined slightly in 1980, after being up significantly in the 1978-1979 period. International net income before inclusion of currency rate change effects was up only modestly in 1980, following strong gains in the 1978-1979 period.

The three major materials used in AMP's business are copper-based metals, gold, and plastics. Copper-based metals were only modestly higher in 1980 than they were in 1978. In contrast, gold rose to \$600/ounce in 1980 from an average of \$300 in 1979 and \$200 in 1978. Plastic prices have risen significantly in concert with

Cash flow from internal sources provides the funds for primary financing requirements.

(\$ in Millions)

1978-1980



rising oil prices. AMP has made considerable progress reducing materials costs, particularly gold, through materials research, value engineering, and productivity improvement programs.

Labor costs have also risen steadily in line with national and industry averages. In the U.S., wage rates rose 7% in June 1978, 7% in April 1979, and 9% in March 1980—and will increase 9% on March 9, 1981.

AMP product prices have usually risen about once a year when required by higher materials and labor costs. Domestic prices were increased on average, 4% in October 1978, 3% in July 1979, 6% in January 1980, and 7% in January 1981. In addition, domestic prices on gold-content products were increased in March 1980 through a combination of a higher base price for gold (\$550) and a gold price adjuster that fluctuates with gold prices. The international subsidiaries have also increased prices from time to time, but generally at a lower rate, in response to rising costs, and are also using various gold price surcharge arrangements.

Cost of sales rose at a significantly faster rate than sales in 1980 due to substantially higher materials costs, but rose in line with sales in 1979 and 1978.

The provision for depreciation, which has risen every year because of higher capital expenditures, should approach \$50,000,000 in 1981 compared to \$42,000,000 in 1980.

Other Income increased in 1980 and declined in 1979 due principally to currency rate change effects, and increased in 1978 due primarily to

additional investment income resulting from higher interest rates.

Interest expense rose to \$14,000,000 in 1980 from \$10,000,000 in 1979 and \$9,000,000 in 1978 primarily because of higher debt levels and higher interest rates in our international operations.

The fluctuations in the effective tax rate (43.1% in 1980, 46.8% in 1979, and 45.7% in 1978) are due to a number of factors such as income mix, tax law changes, tax credits—and currency rate changes which lowered the effective rate slightly in 1980 and 1978 and raised the rate slightly in 1979.

The impact of inflation and changing prices on sales and income are discussed in Note 13, page 31.

Overall, the 1980 economic slow-down had limited effects on AMP. The U.S. recession, so far, has been short-lived, customer inventory reduction was not severe, and we took timely, extensive cost reduction actions, based on previously developed contingency plans, which effectively preserved our capabilities for growth.

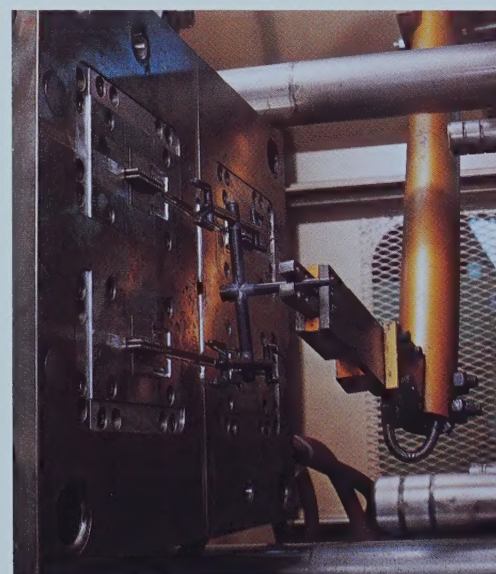


New “selective” gold plating equipment—This AMP designed-and-built equipment, part of our Accu-Plate program, more efficiently and precisely applies gold selectively to only the exact contact areas where actually needed.

Sales Dollar Use:

	1980	1979	1978
Wages, salaries	37.8%	37.7%	39.3%
Materials, services	36.9%	35.0%	32.8%
Depreciation	3.6%	3.3%	3.7%
Interest	1.2%	1.0%	1.2%
Taxes	9.1%	11.0%	10.8%
Dividends	3.1%	2.7%	2.7%
Reinvested	8.3%	9.3%	9.5%
	100%	100%	100%

Robots remove parts from molds—Specially adapted robot mechanisms are now providing significant labor savings by reaching into the mold to remove the molded connector housing.



"Through improved plating techniques, better recovery methods and product redesign, our gold usage declined nearly 25% in 1980.... We are making steady progress in raising our overall productivity...."

After five years of fairly rapid sales growth which taxed our production capabilities, our upward trend was interrupted in the spring of 1980. Second half 1980 sales were slightly lower than first half and the emphasis shifted to adjusting our cost levels, employment, and expansion activities to a recessionary climate. The backlog of unfilled orders, which rose \$40,000,000 in the first half to a record \$270,000,000, declined to \$248,000,000 at year-end 1980.

As signs of the slowdown appeared in our domestic operations, we began to carry out previously formulated contingency plans. Cost reduction

actions to adjust for lower business levels included a freeze on new hiring, reduction of overtime work, discontinuance of most temporary help, transfers, selective layoffs, a one-week furlough for most domestic employees in September, a stepped-up productivity improvement program, and intensification of our efforts to reduce the gold content in our products. Through improved plating techniques, better recovery methods and product redesign, our gold usage declined nearly 25% in 1980.

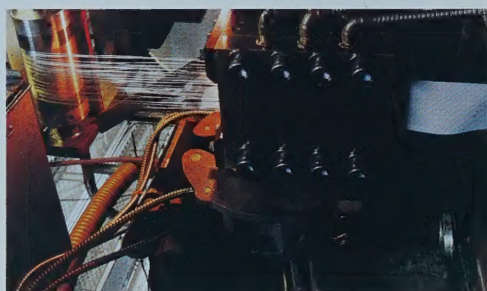
Employment peaked at 19,225 at mid-year and then declined to 18,650 at year-end 1980—approximately equal to the 18,625 at year-end 1979. Our wage rate increases were again closely in line with national and industry averages here and abroad. Domestically, wages rose 9% in March 1980, and will increase 9% on March 9, 1981.

Expansion continued throughout the year at a steady pace after we scaled back our more aggressive original plans. Capital expenditures were \$55,200,000 in the first half and \$58,100,000 in the second half for a record \$113,300,000, as we increased our capacity in certain areas, improved productivity, and added new capabilities. Over half of this spending was for equipment within our facilities, one-fourth for land and buildings, and the balance for application tooling. We added 400,000 square feet to bring the total floor space to 6,300,000 square feet. Expansion was diversified among a number of locations in Central Pennsylvania, North Carolina, Virginia, Europe, South America, and the Far East.

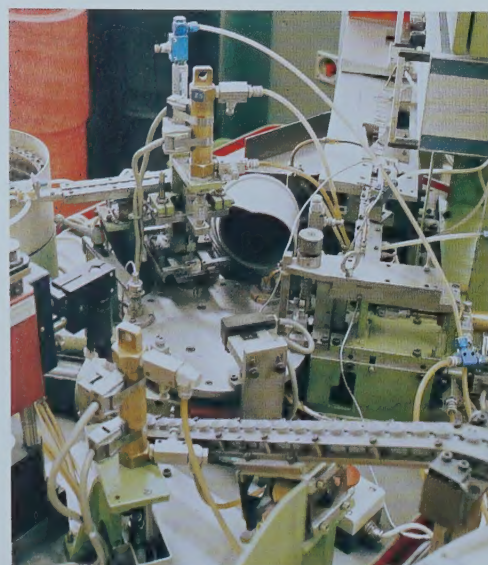
We are making steady progress in raising our overall productivity through our efforts in such areas as materials research, product design, methods improvements, factory and office automation, and increased use of computer, communications and other electronic equipment throughout our operations. Continuing this drive for improvement will be one of our major thrusts during the 1980's.



Ribbon cable production machine—This high-volume equipment, developed and built by AMP, produces ribbon cable used primarily for the growing volume of cable assemblies we provide to customers.



Automated assembly machine—This new high-speed connector assembly machine designed by our West German subsidiary is typical of the many production machines that automate the assembly of metal and plastic parts.



"We view the entire field of 'components' as our starting point, and then zero in on those specific electrical, electronic and related component areas that best fit our present and projected capabilities."

AMP's sales are widely diversified among the seven broad market categories illustrated on the following pages. These categories are each 15-20% of sales except for Industrial and Commercial Electronics (10%) and Aerospace and Military (5%). About 85% of our sales are directly to original equipment manufacturers (OEM's); about 15% to maintenance and repair users, utilities, contractors, retailers and distributors. Except for the few percent of sales through retailers and distributors, we reach these markets through our own direct marketing and service organizations — over 2,700 people worldwide.

These end markets represent virtually every different type of electrical and electronic equipment and system. The faster-growing electronics-oriented portion of our sales, now over two-thirds, should increase further during the 1980's. The types of components we sell are now an estimated 1-2% of the \$800 billion annual worldwide sales of the ever-broadening range of equipment that contains electrical and electronic systems. These components now probably total over \$10 billion annually. As they become more precise and complex — and more quality and performance oriented — these components are expected to continue increasing as a proportion of the total equipment value.

We view the entire field of "components" as our starting point, and then zero in on those specific electrical, electronic and related component areas that best fit our present and projected capabilities. In addition to searching this field for new product opportunities, we are focusing increasing attention on more effective distribution of our existing products. We are broadening our "immediate delivery" list, increasing our regional warehousing capabilities, intensifying our direct marketing coverage, and expanding our domestic distributor program through selected regional industrial distributors who will supplement our direct selling efforts on certain widely used AMP product lines.

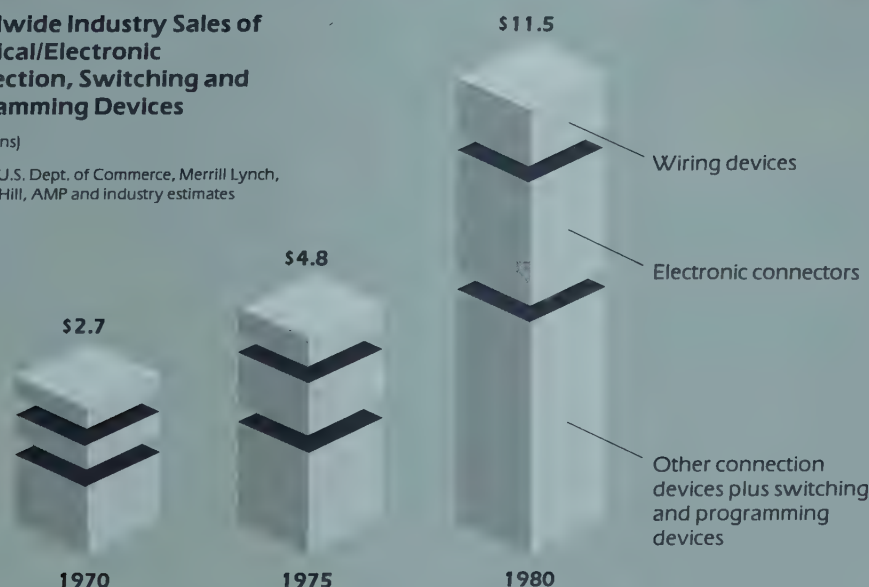
In 1980, recession conditions affected nearly all of our markets to varying degrees. Domestically, our sales to the Communication market showed the best gain while sales to the more recession-sensitive consumer-oriented markets were down slightly year-to-year. Internationally, where our overall growth rate was significantly higher than domestic because the recession arrived later in the year, we had strong gains in the Industrial/Commercial Electronics and Aerospace/Military markets and only modest gains in the Consumer Goods market. By the second half of 1981, we expect all our markets here and abroad will have resumed their long-term upward trends.

AMP Markets—Growth plus Diversity!
Shown below: The specific component markets in which AMP participates had a four-fold growth in the past decade. AMP's sales of these components are diversified in various end user markets.

Worldwide Industry Sales of Electrical/Electronic Connection, Switching and Programming Devices

(\$ in Billions)

Sources: U.S. Dept. of Commerce, Merrill Lynch, McGraw-Hill, AMP and industry estimates



Approximate Breakdown of AMP's Worldwide Sales by Major Market Categories

Aerospace and Military	5%
Industrial and Commercial Electronics	10%
Communications	15%
Computer and Office	20%
Consumer Goods	15%
Transportation and Electrical	20%
Special Industries	15%

U.S. Government/ Military Electronics

Expected to grow at a
16% compound annual rate from
\$21.5 billion in 1980 to \$38.9 billion in 1984.

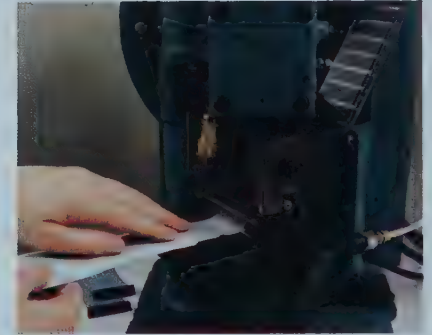
Source: Gnostic Concepts Inc.

84	38.9
83	34.2
82	29.9
81	25.3
80	21.5

\$ in Billions

AEROSPACE AND MILITARY

Stripper-Crimper machine—This new labor-saving machine strips and terminates wires with contacts used in various connectors such as military cylindrical connectors and these ARINC connectors for avionic equipment.



Cartridge-fed cable termination machine — A new preassembled version of AMP-LATCH connectors permits, for the first time in our industry, cartridge feeding of connectors for more automated application to ribbon cable. AMP-LATCH connectors are now approved for military use.



New "mil-spec" product approvals—Recent military specification approvals include thin-wall heat shrink insulating tubing and SMA-type connectors for semi-rigid coaxial cable (SMA application tooling shown p. 23). Other products for this growth market are a membrane switch supplied for Litton military communications equipment, a circular connector with filtered contacts, and a phase array receptacle connector.



**U.S. Land Mobile
Communications Market**

Expected to grow at an
18% compound annual rate from
\$1.5 billion in 1980 to \$2.9 billion in 1984.

Source: Gnostic Concepts Inc.

84	2.9
83	2.5
82	2.0
81	1.7
80	1.5

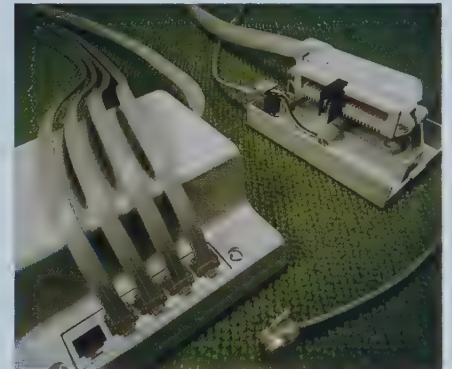
\$ in Billions

COMMUNICATIONS

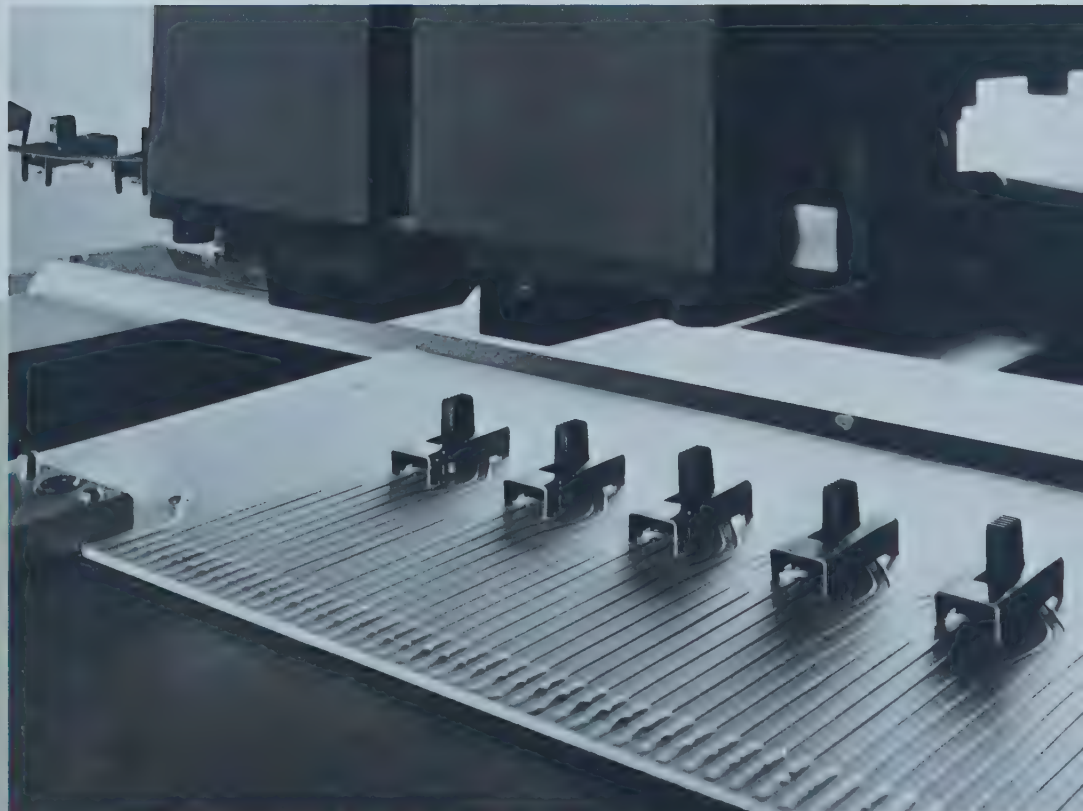
New products for telephone transmission cable—Shown here are heat shrinkable end caps, an AMP-FIT shutoff valve for the cable's dry air pressure system, and a new version of the Siemens Universal Splice Closures we distribute. They join a growing array of AMP products for "outside plant" applications in the telephone industry.



New modules for telephone set installations—Multi-jack and Line Assignment Modular Adapters for office telephone systems provide efficient, versatile means of making the transition from 25-pair telephone cables, terminated with CHAMP connectors, to line cords terminated with AMP modular plugs.



First machine-applied slide switch — This unique, low-cost slide switch is the first ever offered in continuous strip form for labor-saving machine installation. One of the first uses is in cordless telephones sold by the Electra Div. of Masco Corp.



Expected to grow at a
19% compound annual rate from
\$8.3 billion in 1980 to \$16.4 billion in 1984.

Source: Gnostic Concepts Inc.

INDUSTRIAL AND COMMERCIAL ELECTRONICS

Membrane switches—
Custom designed AMP
membrane switch assem-
blies, complete with cir-
cuitry, graphic overlay
and connectors, are used
in Leeds & Northrup and
Liebert control systems,
and in Drake Willock
(Div. of Becton Dickin-
son) medical equipment.

**AMP cable in pollu-
tion detection
system—**A special
AMP flat flexible
cable assembly ex-
tends up to 100 feet
to connect the
floating detector
unit to the surface
alarm unit in the
Mallory (Emhart
Corp.) POLLULERT
System for detect-
ing hydrocarbon
pollution of under-
ground water.



**Econoseal connec-
tor links pump to
solar panel—**A rug-
ged, moisture-proof,
sealed AMP Econo-
seal connector plugs
the pump to the
solar energy panels
in TriSolarCorp's
unique water pump-
ing system for
remote areas.



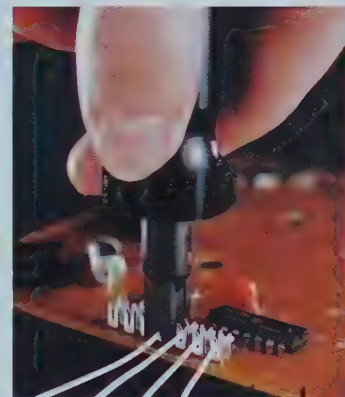
AMP card reader in turnpike toll system—
AMP Magnetic Stripe Card Reader/Writer/
Imprinters are used in SCI Systems, Inc.
electronic toll booth equipment for the
New Jersey Turnpike. AMP card readers are
used in many types of information,
security, and control systems.

84	16.4
83	14.0
82	11.4
81	9.3
80	8.3

\$ in Billions



New Quadra-mate terminals—Four insulation displacement slots in each terminal provide a highly reliable means of connecting solid or stranded wires to printed circuit boards. The terminals can be installed by hand tools, semiautomatic or fully automatic machines. Unstripped wire is then driven into the termination slots by either a hand tool or machine applicator. These versatile terminals should find wide use in many AMP markets.



**U.S. Facsimile
Transmission Equipment Market**

Expected to grow at a
20% compound annual rate from
\$257 million in 1980 to \$525 million in 1984.

Source: Gnostic Concepts Inc.

**COMPUTER
AND
OFFICE**



MT machine—This new application equipment provides an efficient, low-cost means of terminating wires into insulation displacement versions of AMPMODU, AMPLIMITE, and other connector families. Filling a gap between existing

hand tools and more advanced mass termination equipment, this versatile machine can be used in many other markets in addition to the computer and office equipment field, which is AMP's largest single market category.

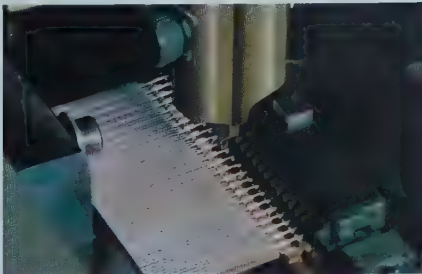


84	525
83	454
82	360
81	297
80	257

\$ in Millions

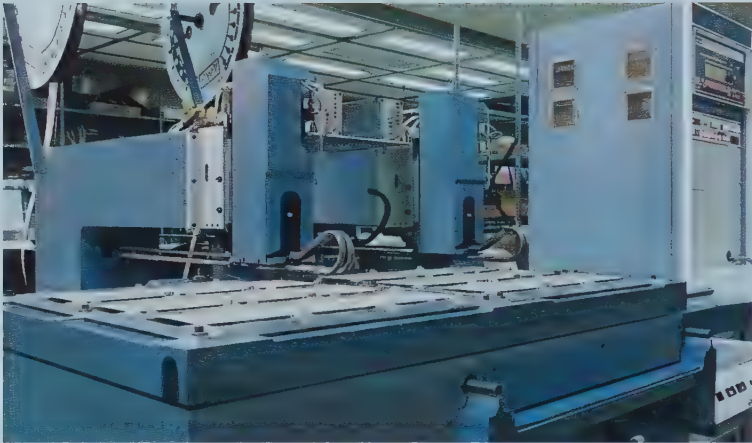


AMP products in “electronic mail” machines—An AMP membrane switch assembly and over a dozen AMP connector lines are used in QWIP (Exxon) facsimile transceivers that transmit copies over telephone lines.



Machine welds contacts on flat cable —Machines developed by our Japanese subsidiary are installed at several Japanese computer manufacturers to weld AMP contacts onto flexible flat cable. (Overall view on p. 23.)

Coax Tap/Optic Splitter-Combiner is major breakthrough in data transmission — Unique system connects up to 128 remote stations to baseband coaxial cable used in control systems and local area networks. Without interruption or significant power loss, the system taps the cable and converts the electronic signals to optical pulses transmitted to fiber optic distribution cables.

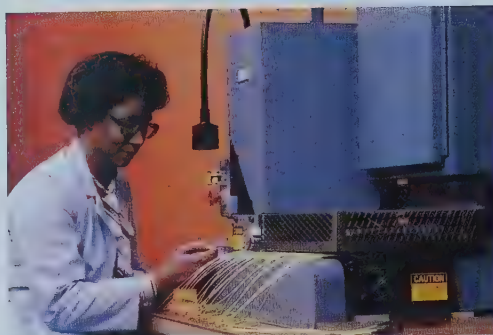


AMPMODU contacts in Kodak cameras— By combining a new type of AMP applicator heads with commercially available computer-controlled base machines, we provide Eastman Kodak with high-volume production equipment for inserting AMPMODU contacts into circuit boards for Colorburst cameras. Many AMP products are used in Kodak photographic and office equipment.

Expected to grow at a
32% compound annual rate from
\$.6 billion in 1980 to \$1.8 billion in 1984.

Source: McGraw Hill

CONSUMER
GOODS



New machine terminates and applies insulating sleeves —The first of this type available in the industry, this machine applies a terminal and then installs heat shrinkable sleeves. An "operator assist mechanism" feeds wires into the crimping dies. "Thin wall" tubing is then heat shrunk over the termination to meet UL insulation requirements. Thin wall tubing is one of several new heat shrink products—a fast-growing area to which we are giving increased attention.



84	1.8
83	1.5
82	1.2
81	1.0
80	.6

\$ in Billions

“Bundling” AMPOMATOR machine
—Developed by our British subsidiary for the Hoover Company of Great Britain, this new type of high-speed AMPOMATOR wire terminating machine also tapes the finished leads into bundles for further labor savings in producing wiring harnesses.



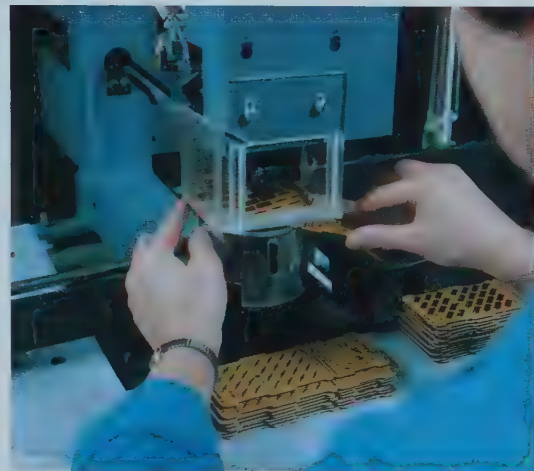
30-wire Cable Assembly Machine used in Sylvania TV production—This advanced machine mass terminates up to 30 wires simultaneously into our MTA connectors.



Cable assembly application machine provided by AMP Japan—Shown in use at a Sanyo TV plant, this new machine terminates up to 20 wires simultaneously to form simple wiring harnesses. Special versions of mass termination connectors and machines have been developed by our major subsidiaries to meet local market requirements.



Pantagraph-type machine applies switch contacts—Installed by our Italian subsidiary, this machine is in use at an Italian TV plant applying our Clicket switch contacts to printed circuit boards used in TV remote control devices.



TRANSPORTATION AND ELECTRICAL

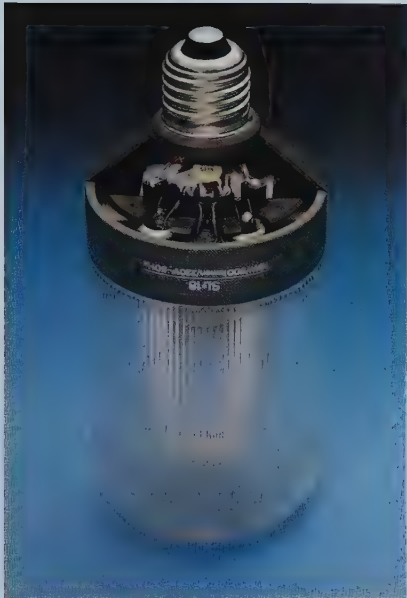


New AMP-BARREL terminal application machines—Machines at Jabll Circuits, Inc., an automotive electronic assemblies supplier, stake AMP "split-barrel" type contacts onto printed circuit boards, and drive unstripped wires into the barrel posts for more efficient production of wire-to-board harnesses.

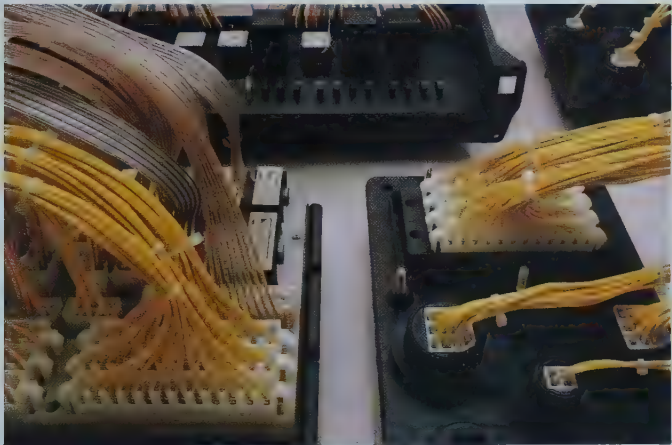


84	7.0
83	4.8
82	3.3
81	2.3
80	1.6

\$ in Billions



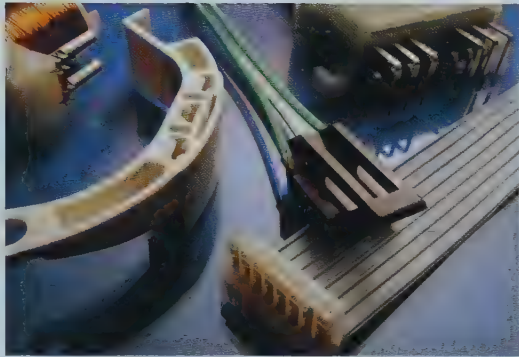
AMP Mag-Mate terminals on Philips lamp
 —Labor-saving, machine-applied Mag-Mate terminals provide the connections on the revolutionary Philips “fluorescent” lamp which gives more light with much less power and lasts five times longer than incandescent bulbs.



Central electrical junction boxes for Fiat and Ford trucks
 —The foreground and right back-ground show the latest versions of electrical junction boxes and connectors we provide for Fiat trucks. The unit in the left back-ground, developed by our British subsidiary, is for English Ford trucks. They permit modular wiring harnesses that facilitate assembly and servicing.



AMP connectors on Toyota cruise control—This special connector for the electronic cruise control system is among the many AMP products used extensively in Toyota vehicles.



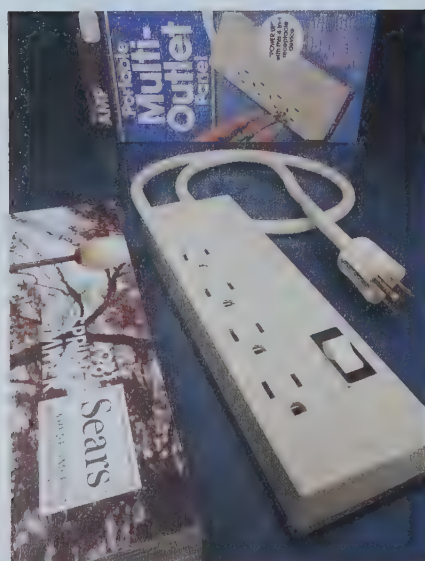
New AMP products for domestic cars
 —We are giving greater attention to connection requirements of domestic automotive, truck, off-highway and farm equipment markets because of their increasing use of electronics.

Expected to grow at a
17% compound annual rate from
\$4.0 billion in 1980 to \$7.6 billion in 1984.

Source: Predicasts

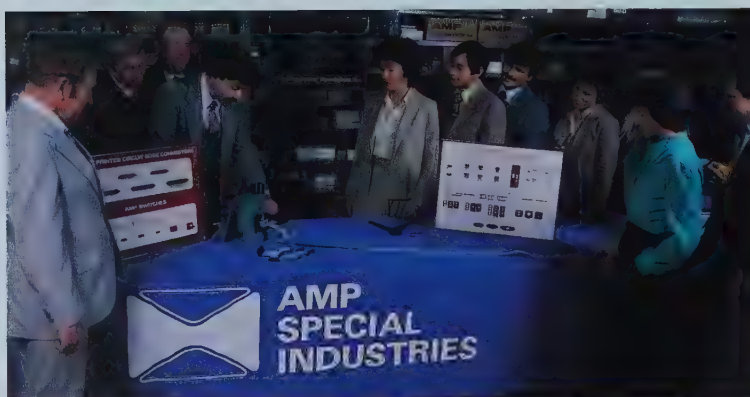
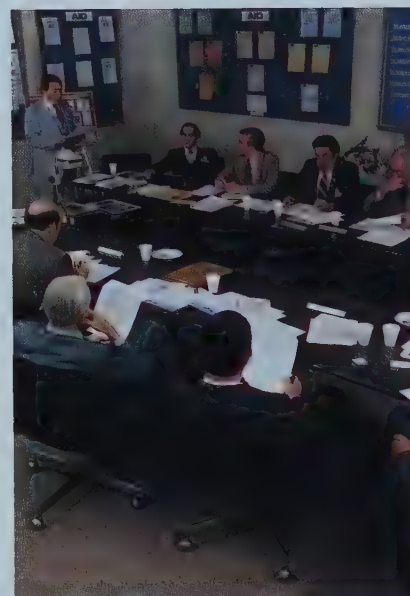
SPECIAL INDUSTRIES

Maintenance, Modernization,
Utilities, Construction, Resale,
Special OEM Markets



Power outlet box—This new product, an outgrowth of our development of new types of duplex receptacles and convenience outlets, is being sold direct by AMP Special Industries as well as through Sears and various electrical distributors.

AMP Distributor Council—A "Distributor Advisory Council" comprised of executives from AMP distributors meets quarterly at AMP Special Industries to provide valuable guidance on our steadily expanding electrical and electronics distributor programs.



New AMP industrial distributor program — AMP Special Industries representative at Semiconductor Specialists, Inc., first distributor signed in our industrial distributor program launched January 1, 1981. To supplement our primary direct selling efforts, selected regional industrial distributors will initially stock eight widely used AMP product lines.



AMPLIERSAL sales vans—Our very successful sales van program, which has concentrated on such areas as truck and aircraft maintenance customers, is being expanded to also cover marinas and hardware stores. These vans carry a wide range of AMP products and tools needed by maintenance and repair users.

84		7.6
83		6.5
82		5.5
81		4.7
80		4.0

\$ in Billions



AMP under-carpet power and communications cable system—AMP’s new flexible flat telephone cable system developed for under-carpet installations uses CHAMP connectors and special transition fittings to connect with conventional telephone cables and line

cords. It is fully compatible with our under-carpet power cable system now coming into use. Together they will provide a complete labor-saving power and communications distribution system within a building without expensive conduit or ducts.



PRODUCT REVIEW

AMP Means Productivity—
Over 90% of our sales are of
products applied by the nearly
45,000 AMP machines and
several million AMP tools used
by our customers.

As we approach our 40th anniversary, we are fully committed to the field of electrical/electronic connection devices. For the first decade, our entire business consisted of a few product lines of simple electrical terminals and splices. Today, we have more than 110 product families in over 70,000 types and sizes. Over two-thirds of our sales are now of products applied by AMP machines and another one-fourth by AMP tools.

More than 90% of our sales are still concentrated in electrical/electronic connections — an area that participates in the amazing growth of electronics, offers broad product and market

diversity, and contributes to the drive for greater productivity.

Key factors in our growth have been the prolific creation of new AMP products and application tooling, and their extremely long life cycles. We spend 9% of sales on research, development and engineering for the creation and application of new and improved products and processes—\$104,000,000 in 1980 and over \$550,000,000 in the past decade. Over 2,900 AMP people are involved in these technical efforts. Over 2,300 U.S. patents were issued or pending at year-end 1980 — with over 6,800 corresponding patents in 50 other countries.

The product development opportunities presented by the emerging end market needs of the 1980's are better than ever before in our history. This report shows over a dozen relatively new product lines, over a dozen new application machines, and many extensions of existing product lines. They are recent responses to customer requirements arising from higher-speed, more miniaturized electronic circuitry devices; new types of conductors; more demanding performance and environmental criteria; and the need for more reliable, labor-saving application methods. Many new components will be needed by equipment makers in the 1980's. Thus, while maintaining our position as the world's leader in electrical and electronic connection devices, we will continue to diversify into logically related component areas such as filters, cable assemblies, flexible circuitry assemblies, switches, card readers, and heat shrink products.

New AMP products are generally becoming more complex, of higher value, and far more critical to the functioning of customer equipment. The capabilities required to develop, produce and market these products are accordingly becoming more varied and sophisticated. Our basic manufacturing skills are precision metal forming, metal plating, plastic molding, and automated assembly. AMP's marketing approach stresses our "early involvement" in our customers' design efforts, and focuses on providing lower installed costs through labor-saving application tooling.

Computer-Aided Drafting — This customized installation in one of our advanced engineering departments resulted from close liaison between AMP and Applicon — a leader in computer-aided design and drafting

systems. After special training, AMP draftsmen can produce drawings in a fraction of the time previously required. AMP products are used extensively in this rapidly growing computer system market.





Cable contact welding machine developed by Japanese subsidiary—Several of these new AMP machines are in use in the Japanese computer industry to automatically weld AMP contacts onto flexible flat cable.

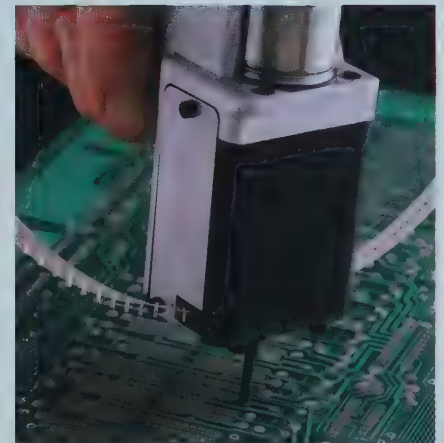


Mass termination Cable Assembly Machine developed by our German subsidiary—Shown in use at the Loewe-Opta TV plant, it terminates up to 24 wires simultaneously into AMP connectors to produce thousands of simple wiring harnesses per hour.

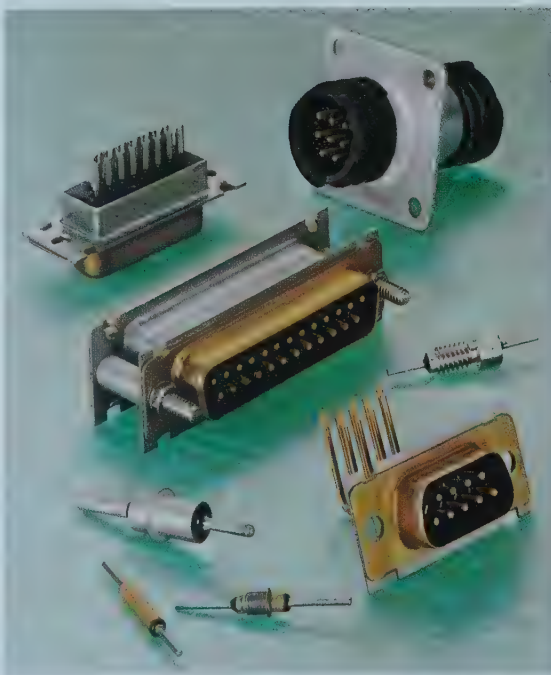


AMP cable preparation and connection system for SMA semirigid coaxial cable—This unique machine quickly prepares the SMA cable for attachment of an AMP connector with a single stroke of a special AMP tool. Total time is less than one minute compared to five minutes or more for solder-type connectors. This new labor-saving system should gain rapid acceptance in the aerospace and military market.

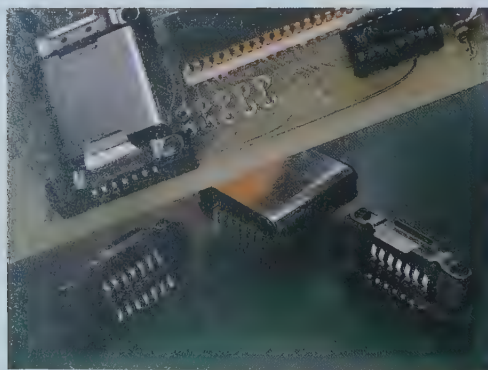
Power tool applies miniature sockets—Previously applied to printed circuit boards either by hand or by a high-volume insertion machine, Miniature Spring Sockets can now also be applied by a new tape-fed power tool.



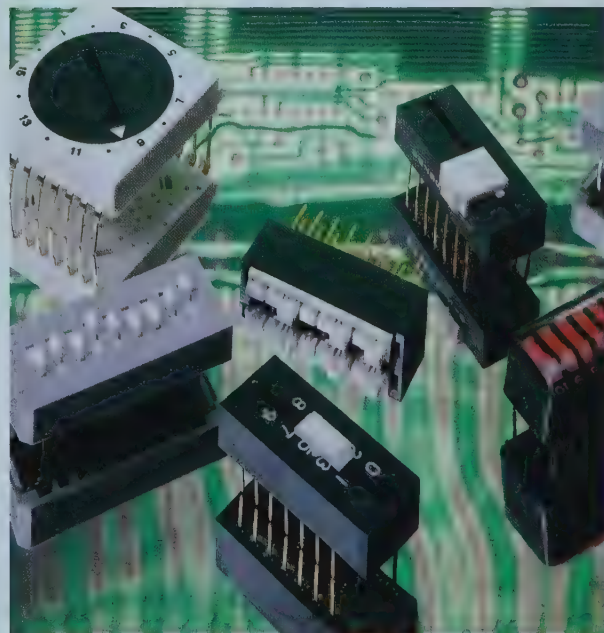
Filtered contacts coming into wider use—A growing number of AMP connector lines are available in filter contact versions to protect increasingly sensitive electronic circuitry from electromagnetic interference. The trend toward higher frequencies and lower signal currents makes filters more necessary to preserve the integrity of the system.



Metal shields reduce electromagnetic interference—Spurred by a mid-1980 F.C.C. regulation on reducing electromagnetic interference, we are offering special metal shields for an increasing number of AMP connector families.



ZIF connectors for bubble memory units—Anticipating the advent of the powerful new bubble memory units, we developed a Zero Insertion Force connector that provides easy, reliable pluggability into a printed circuit board.



New miniature switches for printed circuit boards—Some of the latest additions to our steadily broadening miniature switch product lines. The leader in versatile DIP switches, we also provide slide, rotary, and matrix electronic switches.

Flexible Etched Circuitry assemblies for computers—These AMP fine-line flexible circuitry assemblies are used in various computer memory disc drives. Flexible circuitry and cable assemblies offer us very good, virtually untapped growth potential in many of the markets we serve.



Combined Statements of Income and Retained Earnings

AMP Incorporated and Pamcor, Inc.
& their subsidiaries

(dollars in thousands
except per share data)

	Year Ended December 31,	1980	1979	1978
Earnings for the Year				
Net Sales		\$1,155,382	\$1,013,241	\$801,066
Cost of Sales		699,417	582,892	455,288
Gross income		455,965	430,349	345,778
Selling, General and Administrative Expenses		222,182	195,615	162,045
Income from operations (after deducting depreciation of \$41,902, \$33,938 and \$29,923)		233,783	234,734	183,733
Interest Expense		(14,237)	(10,011)	(9,239)
Other Income, net		11,178	3,233	5,522
Income before income taxes		230,724	227,956	180,016
Income Taxes		99,450	106,670	82,320
Net Income		\$ 131,274	\$ 121,286	\$ 97,696
Net Income Per Share				
		\$3.65	\$3.36	\$2.67
Earnings Retained				
Retained Earnings, Beginning of Year		\$ 500,479	\$ 406,633	\$330,894
Add —				
Net income		131,274	121,286	97,696
Less —				
Cash dividends on common stock (\$1.00, 76¢ and 60¢ per share)		35,968	27,440	21,957
Retained Earnings, End of Year		\$ 595,785	\$ 500,479	\$406,633

Auditors' Report

To the Shareholders and Boards of Directors
of AMP Incorporated and Pamcor, Inc.:

We have examined the combined balance sheets of AMP INCORPORATED (a New Jersey corporation) and PAMCOR, INC. (an affiliated Puerto Rican corporation) and their subsidiaries as of December 31, 1980, and 1979, and the related combined statements of income and retained earnings, and changes in financial position for each of the three years ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of AMP Incorporated and Pamcor, Inc. and their subsidiaries as of December 31, 1980, and 1979, and the results of their combined operations and their combined changes in financial position for each of the three years ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Combined Balance Sheets

(dollars in thousands)

Assets	December 31,	1980	1979
Current Assets			
Cash		\$ 12,515	\$ 14,299
Time deposits		16,771	26,747
Marketable securities, at cost, which approximates market		62,742	54,119
Receivables, less reserves of \$6,427 and \$5,507		208,475	202,488
Inventories —			
Finished goods and work in process		128,471	110,812
Purchased and manufactured parts		97,937	83,400
Raw materials		63,237	54,475
Total inventories		289,645	248,687
Other current assets		19,147	24,699
Total current assets		609,295	571,039
Investments and Other Assets		764	1,048
Property, Plant and Equipment			
Land		13,448	9,884
Buildings and leasehold improvements		151,284	123,842
Machinery and equipment		279,837	224,803
Machines and tools with customers		100,667	86,698
		545,236	445,227
Less — Accumulated depreciation		226,103	193,287
Property, plant and equipment, net		319,133	251,940
Total Assets		\$929,192	\$824,027

Notes to Combined Financial Statements

1. Summary of Accounting Principles

Principles of Combination — The financial statements of AMP and Pamcor and their subsidiaries (all wholly owned) are combined, as each company is owned beneficially by identical shareholders. Intercompany and affiliated company accounts and transactions are eliminated in the combination.

Inventories — Inventories, which consist of material, labor and overhead, are stated at the lower of cost, principally average, or market.

Property, Plant and Equipment and Depreciation — Property, plant and equipment is stated at cost. Depreciation is computed by applying principally the straight-line method to individual items. Where accelerated depreciation methods are used for tax purposes, deferred income taxes are recorded. Investment tax credits are apportioned over the productive lives of the equipment for which they were granted.

Maintenance and repairs are charged to expense as incurred. Major repairs and improvements are capitalized and depreciated at applicable straight-line rates. Dies, small tools and accessories are charged to expense.

The cost and accumulated depreciation of items of plant and equipment retired or otherwise disposed of are removed from the related accounts, and any residual values are charged or credited to income.

Per Share Data — Income and cash dividends per share are based on a unit of common stock consisting of one share of the outstanding common stock of AMP and a proportionate beneficial interest in the common stock of Pamcor. The weighted average number of shares outstanding used to compute net income per share was 35,965,758 in 1980, 36,089,899 in 1979 and 36,553,313 in 1978.

(dollars in thousands)

Liabilities and Shareholders' Equity	December 31,	1980	1979
Current Liabilities			
International bank loans		\$ 50,134	\$ 49,709
Accounts payable		60,305	65,542
Accrued payrolls and employee benefits		35,386	32,557
Accrued taxes on income		76,405	77,605
Accrued expenses — other		17,127	16,775
Current portion of long-term debt		2,134	4,176
Total current liabilities		241,491	246,364
Other Liabilities			
Long-term debt		50,053	48,454
Deferred income taxes		26,280	20,961
Investment tax credit		10,696	8,200
Other liabilities and deferred credits		22,928	18,759
Total other liabilities		109,957	96,374
Total Liabilities		351,448	342,738
Shareholders' Equity			
AMP Incorporated —			
Common stock, without par value —			
Authorized 50,000,000 shares, issued 37,440,000 shares		12,480	12,480
Pamcor, Inc. —			
Common stock, par value \$1.00 per share —			
Authorized and issued 20,000 shares		20	20
Other capital		3,729	3,183
Retained earnings		595,785	500,479
		612,014	516,162
Less — Treasury stock, at cost		34,270	34,873
Total shareholders' equity		577,744	481,289
Total Liabilities and Shareholders' Equity		\$929,192	\$824,027

2. Pamcor

Pamcor and its subsidiaries have no affiliates other than AMP and its subsidiaries. By trust agreement, Bankers Trust Company holds all of the Pamcor common stock for the benefit of AMP common shareholders whose certificates are endorsed to show they are entitled to a proportionate interest in the Pamcor common stock held in the Trust. This interest is not transferable separately.

The inclusion of Pamcor resulted in an increase in net income of \$11,109,000 in 1980, \$9,480,000 in 1979 and \$7,625,000 in 1978 after elimination of affiliated company profit in inventory.

3. International Operations

Net income from international operations was \$64,018,000 in 1980, \$50,545,000 in 1979 and \$45,515,000 in 1978.

Availability of remittances to the parent company is subject to exchange controls and other restrictions of the various countries.

Exchange gains and losses, after adjustment for income taxes to the extent appropriate, increased net income by \$4,188,000 in 1980, and decreased net income by \$4,169,000 in 1979 and \$2,302,000 in 1978. However, the total quantifiable effect of foreign currency rate changes, including

the effect of consuming in operations non-monetary assets translated to U.S. dollars at historical exchange rates (principally inventories charged to cost of sales on a first-in, first-out basis), increased net income by approximately 14¢ per share in 1980, decreased net income by approximately 8¢ per share in 1979 and increased net income by approximately 18¢ per share in 1978. Economic effects of foreign currency exchange rate changes, such as changes in selling prices, sales volumes and cost structures, are not quantifiable by practicable means.

Combined Statements of Changes in Financial Position

AMP Incorporated and Pamcor, Inc.
& their subsidiaries

(dollars in thousands)

Year Ended December 31,	1980	1979	1978
Working Capital was provided from			
Net income	\$131,274	\$121,286	\$ 97,696
Expenses not requiring current outlay of working capital —			
Depreciation	41,902	33,938	29,923
Deferred income taxes	5,319	2,633	(1,662)
Other	9,149	7,111	10,462
	187,644	164,968	136,419
Additions to long-term debt	5,892	15,808	1,120
Additions to other capital	546	246	115
Miscellaneous sources, net	4,133	3,453	3,093
	198,215	184,475	140,747
Working Capital was used to			
Increase investments and other assets	81	753	39
Acquire property, plant and equipment	113,259	95,951	58,803
Reduce long-term debt	4,293	12,284	3,022
Purchase treasury stock	1,485	8,704	17,808
Pay cash dividends	35,968	27,440	21,957
	155,086	145,132	101,629
Working Capital Increased	\$ 43,129	\$ 39,343	\$ 39,118
Working Capital Changes — Increases (Decreases)			
Cash, time deposits and marketable securities	\$ (3,137)	\$ (1,186)	\$ (18,551)
Receivables	5,987	28,691	48,330
Inventories	40,958	67,579	40,530
Other current assets	(5,552)	8,408	5,407
International bank loans	(425)	(19,309)	(3,820)
Accounts payable and accrued expenses	2,056	(29,911)	(24,981)
Accrued taxes on income	1,200	(15,067)	(7,077)
Current portion of long-term debt	2,042	138	(720)
Working Capital Increased	\$ 43,129	\$ 39,343	\$ 39,118

Notes (continued)

4. Compensating Balances

Deposits supporting short-term borrowings were maintained throughout the year. Such balances were not legally restricted as to withdrawal. Short-term borrowing arrangements, for the most part, required balances expressed as an average over a period of time at 5% of commitments and an additional 10% of outstanding borrowings. At December 31, 1980 the balances required were \$6,500,000, of

which approximately \$1,800,000 represented dual-purpose funds, in that those balances also constitute minimum operating balances and/or compensation for other bank services. The highest balances required during 1980 occurred at December 31, and amounted to approximately \$2,600,000 and \$3,900,000 related to commitments and outstanding borrowings, respectively.

5. Interest

In 1980 the Company first capitalized interest costs associated with the construction of certain assets, as required by Financial Accounting Standard No. 34, "Capitalization of Interest Cost". Interest costs for 1980 were:

(dollars in thousands)

Interest Costs Incurred	\$16,040
Less—	
Interest Costs Capitalized	1,803
Interest Expensed—	
Per Combined Statement of Income	\$14,237

6. Long-Term Debt

At December 31, long-term debt was comprised of the following:

(dollars in thousands)	1980	1979
8-5/8% Notes due 1985	\$25,000	\$25,000
International bank loans, 13.6% weighted interest rate (1979—11.7%), repayable in varying amounts through 1989	23,997	23,974
Mortgages, 8.9% weighted interest rate (1979—8.4%), repayable through 1994	3,190	3,656
	52,187	52,630
Less—Amount due within one year	2,134	4,176
	<u>\$50,053</u>	<u>\$48,454</u>

The 8-5/8% Notes are due April 1, 1985 and may not be redeemed prior to April 1, 1982. After that date the Notes will be redeemable at the option of the Company upon 30 days notice, in whole or in part, at their principal amount plus accrued interest.

The international bank loans are secured by the general credit of the borrowing companies. The mortgages are secured by property having a gross book value of \$5,303,000.

Unused commitments for long-term financing were not significant at December 31, 1980.

Principal amounts of long-term debt repayable for each of the next five years are:

1981—\$2,134,000	1983—\$3,570,000	1985—\$26,529,000
1982—\$4,262,000	1984—\$5,100,000	

7. Leases

The Company leases certain buildings and transportation and other equipment. Capital leases are not significant.

Total rental expense under operating leases was \$17,158,000 in 1980, \$13,570,000 in 1979 and \$11,270,000 in 1978. Minimum rental commitments at December 31, 1980 under all leases with initial terms in excess of one year were:

(dollars in thousands)	
1981	\$ 8,747
1982	5,661
1983	2,696
1984	1,354
1985	552
1986 and beyond	3,457

8. Employee Retirement Plans

The Company has a pension plan covering substantially all domestic employees. Certain international subsidiaries also have pension plans. Total pension expense was \$12,112,000 in 1980, \$12,157,000 in 1979 and \$9,793,000 in 1978 which includes, as to certain defined benefit plans, amortization of past service cost over 10 years. The Company's policy is to fund pension costs currently.

At January 1, 1980, accumulated plan benefits and plan net assets for the United States defined benefit plan were:

(dollars in thousands)	
Actuarial present value of accumulated plan benefits:	
Vested	\$ 69,108
Nonvested	7,766
	<u>\$ 76,874</u>
Net assets available for plan benefits	<u>\$104,414</u>

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7½%.

A change during 1980 in the actuarial cost method used and in actuarial assumptions relative to rate of return, salary increases and turnover for the United States employees' plan had the effect of reducing net income by approximately 1¢ per share.

The Company's international pension plans are not required to report to certain governmental agencies pursuant to ERISA and do not otherwise determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. At December 31, 1980, the net assets of those plans exceeded the present value of vested benefits.

9. Stock Plus Cash Bonus Plan and Treasury Stock

Under terms of the incentive Stock Plus Cash Bonus Plan, participating employees are credited with bonus units having a designated value of slightly more than 95% of the market price of the Company's stock on an award date. The stock bonus computation is based on the amount of the increase in the market price of the stock over the designated value on the award date. The Plan also provides that for awards made on or after October 28, 1972 the computation may be adjusted by discounting the market price of the stock on the computation date by a percentage (not to exceed 7.5% per year) to reflect the growth in earnings per share during the period. The cash bonus is a predetermined percentage (not more than 50%) of the value of the stock bonus. Charges to income before income taxes for current and future distributions under the Plan totaled \$8,272,000 in 1980, \$5,490,000 in 1979 and \$7,397,000 in 1978.

All of the treasury shares (1980 — 1,444,293; 1979 — 1,465,553; 1978 — 1,271,421) are available for payment of stock bonuses under the Plan. Treasury shares were increased through the purchase of 40,000 shares in 1980, 249,600 shares in 1979 and 588,318 shares in 1978. Distributions under the Plan, on a last-in, first-out basis, were 61,260 shares in 1980, 55,468 shares in 1979 and 46,464 shares in 1978. For awards granted before and outstanding at December 31, 1980, based on the market price as of that date, approximately 255,000 shares would be distributed in the years 1981 through 1986.

Other Capital was increased \$546,000 in 1980, \$246,000 in 1979 and \$115,000 in 1978 through gains and tax benefits on the excess of fair market value over the cost of treasury shares distributed.

Notes (continued)

10. Business Segments

The Company's business is concentrated almost entirely in one product area — electrical and electronic connection, switching and programming devices — which are sold throughout many diverse markets. It is not possible, therefore, to divide AMP's business into meaningful industry segments.

However, the Company's operations are worldwide and can be grouped into several geographic segments. Operations outside the United States are conducted through wholly

owned subsidiary companies that function within assigned, principally national, markets. The subsidiaries manufacture locally where required by market conditions and/or customer demands, and where permitted by economies of scale. Most are also self-financed. However, while they operate fairly autonomously, there is a substantial amount of parent-to-subsidiary as well as inter-subsidiary sales, particularly among the European subsidiaries.

Pertinent financial data by major geographic segments for 1980, 1979 and 1978 is:

(dollars in thousands)	Sales to Unaffiliated Customers	Intersegment Sales	Total Sales	Pretax Income	Net Income	Total Assets
United States:						
1980	\$ 578,682	\$72,687	\$651,369	\$113,870	\$ 67,256	\$586,841
1979	522,386	65,510	587,896	125,924	70,741	516,912
1978	417,694	48,867	466,561	97,804	52,181	411,866
Europe:						
1980	390,115	4,182	394,297	83,713	46,243	251,977
1979	326,030	3,957	329,987	73,436	37,065	233,229
1978	251,700	2,615	254,315	54,914	28,724	178,817
Other International:						
1980	186,585	1,023	187,608	33,141	17,775	122,190
1979	164,825	253	165,078	28,596	13,480	100,991
1978	131,672	281	131,953	27,298	16,791	96,761
Total:						
1980	\$1,155,382			\$230,724	\$131,274	\$929,192
1979	1,013,241			227,956	121,286	824,027
1978	801,066			180,016	97,696	661,454

Transfers between geographic segments are generally priced uniformly at "large quantity customer prices less a fixed discount" for items not requiring further manufacture and at "cost plus a fixed percentage" for items subject to further processing. These transfers resulted in intersegment receivables at December 31: 1980 — \$28,222,000; 1979 — \$24,375,000; and 1978 — \$21,230,000.

Included in the assets of the United States segment are short-term investments at December 31: 1980 — \$77,000,000; 1979 — \$80,000,000; and 1978 — \$72,000,000; which

generated net income of \$4,400,000; \$4,900,000; and \$4,200,000, respectively.

Included in net income for the year is the total effect of the foreign currency exchange rate changes referred to in Note 3, which increased net income by approximately \$4,900,000 (14¢ per share) in 1980, decreased net income by approximately \$2,900,000 (8¢ per share) in 1979, and increased net income by approximately \$6,700,000 (18¢ per share) in 1978.

11. Income Taxes

Components of income tax expense for the year ended December 31 were:

(dollars in thousands)	1980	1979	1978
U.S. Federal:			
Taxes currently payable	\$ 34,131	\$ 44,604	\$ 40,482
Deferred taxes	3,334	(636)	(3,563)
Deferred investment tax credit	2,496	1,618	1,286
Foreign:			
Taxes currently payable	50,240	53,888	34,641
Deferred taxes	2,596	(2,401)	2,056
Other:			
Taxes currently payable	6,077	9,724	7,707
Deferred taxes	576	(127)	(289)
	<u>\$ 99,450</u>	<u>\$106,670</u>	<u>\$ 82,320</u>

Deferred income tax expense results from timing differences between tax and financial recognition of income

(dollars in thousands)	1980	1979	1978
Excess of tax depreciation over financial depreciation	\$ 6,350	\$ 3,061	\$ 1,912
Accrued expenses not currently deductible for tax purposes	(2,531)	(3,417)	(3,203)
Undistributed earnings of subsidiaries	746	(2,100)	2,079
Other	1,941	(708)	(2,584)
	<u>\$ 6,506</u>	<u>\$ (3,164)</u>	<u>\$ (1,796)</u>

and expense. The sources of these differences for the year ended December 31 were:

(dollars in thousands)	1980	1979	1978
Excess of tax depreciation over financial depreciation	\$ 6,350	\$ 3,061	\$ 1,912
Accrued expenses not currently deductible for tax purposes	(2,531)	(3,417)	(3,203)
Undistributed earnings of subsidiaries	746	(2,100)	2,079
Other	1,941	(708)	(2,584)
	<u>\$ 6,506</u>	<u>\$ (3,164)</u>	<u>\$ (1,796)</u>

The Company's effective tax rate for 1980 varied from the U.S. federal income tax rate for the following reasons:

U.S. federal income tax rate	46.0%
Pamcor, Inc. tax exemptions	(2.2)
State income taxes, net of federal tax benefit	1.5
Translation adjustments not subject to income tax	(1.0)
Amortization of investment tax credit	(.8)
Other	(.4)
Effective tax rate	43.1%

United States income tax returns of AMP for the years 1963 through 1976 have been audited by the Internal Revenue Service and deficiencies assessed. One of the items

the Company contested first arose for the year 1963 and continues in all subsequent years for more substantial amounts. In 1979, a United States District Court ruled in favor of the Company with respect to this item in a petition for refund of income taxes assessed by the Internal Revenue Service for the years 1963 through 1965. (The Company has filed protests with the Internal Revenue Service for the years 1966 through 1976.) In September 1980 the United States Circuit Court of Appeals adjudged and ordered that the judgment of the district court was affirmed. The Company will continue to contest the remaining issues protested for the years 1966 through 1976. The final resolution of these remaining issues will not have a materially adverse effect on the Company's financial position or results of operations.

12. Research, Development and Engineering

Research, development and engineering expenditures for the creation and application of new and improved products

and processes were \$104,000,000 in 1980, \$90,000,000 in 1979 and \$74,000,000 in 1978.

13. Information on Effects of Changing Prices (Unaudited)

The following information is presented in conformance with Financial Accounting Standard No. 33. That standard requires the Company to use two methods for estimating the effects of inflation on operations: "constant dollar" and "current cost". The constant dollar method measures certain financial statement items in dollars having the same purchasing power, through use of the U.S. Consumer Price Index for all Urban Consumers (CPI-U), and is intended to show how general inflation has affected a company. The current cost method measures these same financial statement items in terms of specific prices which would have been encountered if the prescribed assets consumed or in place during the year had been replaced currently by identical assets.

Financial data adjusted for the effects of inflation serves

only as a supplement to the primary financial statements which are based on nominal (historical) dollars and, admittedly, do not reflect adequately the impact of inflation. The reader is cautioned not to place undue reliance upon either price-adjusted result, as the means used to compile such data lack the precision inherent in assembling and quantifying historical costs. Neither price-adjusted result evaluates the Company's ability to increase selling prices, achieve productivity gains or otherwise employ its technological resources in maintaining its profitability. Further, the CPI-U is a less than appropriate index of inflation for a manufacturing company operating in a multinational environment. Nor does a concept of immediate replacement by identical assets reflect reality. "Real" profitability is certainly not as low as that shown in the price-adjusted results but probably not as high as that shown in the primary statements.

Statement of Income Adjusted for the Effects of Changing Prices for the Year Ended December 31, 1980

(dollars in thousands except per share data)	As Reported in the Primary Statements	Adjusted For	
		General Inflation (Constant Dollar)	Specific Prices (Current Cost)
Net Sales	\$1,155,382	\$1,155,382	\$1,155,382
Cost of Sales	699,417	743,000	738,000
Expenses and Other Income, net	225,241	226,896	227,711
Income Taxes	99,450	99,450	99,450
	1,024,108	1,069,346	1,065,161
Net Income	\$ 131,274	\$ 86,036	\$ 90,221
Net Income Per Share	\$3.65	\$2.39	\$2.51
Depreciation included above	\$ 41,902	\$ 57,000	\$ 58,000
Gain from Decline in Purchasing Power of Net Amounts Owed		\$ 400	\$ 400

Note 1. Only the amounts reported in the primary financial statements for depreciation and the inventory component of cost of sales were adjusted to arrive at net income adjusted for general inflation and changes in specific prices. Current cost depreciation is based on the average current cost of plant and equipment during the year. Other current cost of sales adjustments reflect the current cost of replacing, at the time of sale, materials, labor and various other items comprising cost of sales. Revenues and all other operating expenses are considered to reflect the average price levels for 1980 and, accordingly, have not been adjusted. As prescribed by Standard No. 33, no adjustments were made to income taxes.

Note 2. The increase in specific prices (current costs) of inventories and net property, plant and equipment during the year

amounted to \$43,400,000. The increase in general price level terms amounted to \$79,400,000.

Note 3. The current cost of inventories at December 31, 1980 of \$298,000,000, determined principally by recent product costs, compares to a historical cost of \$289,645,000. The current cost of net property, plant and equipment at December 31, 1980 of \$463,000,000, determined by a combination of price quotations, engineering cost estimates, and price indexes, compares to a historical cost of \$319,133,000.

Note 4. The gain from the decline in purchasing power of net monetary assets is due to monetary liabilities exceeding monetary assets, averaged over 1980. Net monetary assets are cash and claims to cash less amounts owed, which are fixed in terms of numbers of dollars to be received or paid.

Notes (continued)

The comparison on the preceding page reflects a greater increase in depreciation expense under the current cost method whereas for other items in cost of sales the increase was greater under the constant dollar method. To the extent that historical pretax income includes "inflation gains", 43%

(the effective tax rate in the primary statements) of those gains will be paid to various governments in what literally amounts to a tax on capital.

The table below presents, in average 1980 dollars, price-adjusted data for a five-year period.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

	Year Ended December 31,				
	(In average 1980 dollars)				
(dollars in thousands except per share data)	1980	1979	1978	1977	1976
Net Sales	\$1,155,382	\$1,150,266	\$1,011,787	\$ 860,706	\$ 755,622
Constant Dollar Information:					
Net income	\$ 86,036	\$ 99,591	—	—	—
Net income per share	\$2.39	\$2.76	—	—	—
Net assets at year end	\$ 658,000	\$ 611,000	—	—	—
Current Cost Information:					
Net income	\$ 90,221	\$ 95,311	—	—	—
Net income per share	\$2.51	\$2.65	—	—	—
Net assets at year end	\$ 708,000	\$ 692,000	—	—	—
Increase in specific prices over (under) increase in the general price level	\$ (36,000)	\$ 14,500	—	—	—
Other Information:					
Purchasing power gain (loss) on net monetary items	\$ 400	\$ (2,400)	—	—	—
Cash dividends per share	\$1.00	\$.86	\$.76	\$.65	\$.59
Average CPI-U (1967 = 100)	246.8	217.4	195.4	181.5	170.5
Stock price per share at December 31 (based on year-end CPI-U)	\$51 $\frac{7}{8}$	\$45 $\frac{1}{4}$	\$39	\$37 $\frac{7}{8}$	\$41 $\frac{7}{8}$

The five-year comparison shows that sales, dividends, and the stock price have grown in constant dollar terms. Net assets at year end under both methods are greater than historical cost amounts, reflected in the primary statements, due almost entirely to increased values of property, plant and equipment. 1980 was a year of "stagflation" for operating

results, which condition, although not as apparent, also is reflected in the primary statements. The Company is very much aware of the problems of operating in an inflationary environment and continues to believe, as noted elsewhere in this report, that it can continue to prosper in these difficult circumstances.

Current cost information for 1979, which was not included in the 1979 Annual Report, as permitted in the initial application of Standard No. 33, reflected (in 1979 dollars) net income of \$83,957,000 (\$2.33 per share) compared to historical cost net income of \$121,286,000 (\$3.36 per share). Included in these calculations is current cost depreciation of \$47,000,000 and historical cost depreciation of \$33,938,000. The estimated current cost at December 31, 1979 of inventories and net property, plant and equipment was

\$274,000,000 and \$375,000,000, respectively. The estimated increase in the current cost of inventories and property, plant and equipment held during 1979 was \$73,200,000. After eliminating the effect of the change in the general price level, the estimated increase in current cost was \$12,800,000. In addition, the current cost of net assets at December 31, 1979, in average 1979 dollars, was \$608,000,000. To the extent 1979 current cost data is shown in the table immediately above, it is restated to average 1980 dollars.

14. Summarized Quarterly Financial Data (Unaudited)

(dollars in thousands)	For the 3 Months Ended			
	March 31	June 30	September 30	December 31
1980				
Net sales	\$284,186	\$296,078	\$284,634	\$290,484
Gross income	115,356	116,644	114,102	109,863
Net income	35,331	32,233	31,316	32,394
Net income per share	98¢	90¢	87¢	90¢
1979				
Net sales	\$232,077	\$251,135	\$258,136	\$271,893
Gross income	99,889	105,645	111,400	113,415
Net income	28,818	30,014	31,120	31,334
Net income per share	80¢	83¢	86¢	87¢

Included in 1980 and 1979 net income is the total effect of the foreign currency exchange rate changes referred to in Note 3, which increased 1980 net income per share by 14¢ (increasing earnings per share 7¢ in the first quarter, 6¢ in the third quarter, 4¢ in the fourth quarter, but reducing earnings

per share 3¢ in the second quarter) and decreased 1979 net income per share by 8¢ (increasing earnings per share 6¢ in the first quarter, but reducing earnings per share by 5¢ in the second, 2¢ in the third, and 7¢ in the fourth quarter).

Officers

J. D. Brenner
Chairman of the Board
and Chief Executive Officer

Walter F. Raab
Vice Chairman of the Board
and Chief Financial Officer

Harold A. McInnes
President, and Director

John E. Eberle
Vice President, Operations

Gerald F. Englehart
Vice President, International

Herman C. Haas
Vice President,
Director of Marketing

Mark L. Miller
Treasurer

Benjamin Savidge
Controller

Hugo A. Walfred
Secretary and
General Legal Counsel

**Divisional
Vice Presidents** (of AMP Incorporated only):**Corporate Services:**

Dan L. Eyre
Facilities and
Vendor Resources

Philip G. Guarneschelli
Industrial Relations

Clyde Rayburn
Administrative Services
and Controls

Joseph P. Sweeney
Technology

International:

Ted L. Dalrymple
International Sales

Gerhard M. Schmidt
Northern and Central Europe

Richard D. Seall
International Finance

Marketing:

W. Bennett Conner
Industrial Sales

G. Russell Knerr, Jr.
Data Systems Sales

Oscar B. Rudolph
AMP Special Industries

Robert J. Steele
Telecom Sales

Operations:

James E. Marley
Manufacturing

John R. Hopkins
Special Products

Harold W. Narigan
General Products

Donald W. Shoemaker
Connector and Electronic
Products

Board of Directors**Executive Committee**

J. D. Brenner
Chairman of the Board
and Chief Executive Officer

R. M. Brumfield ⁽²⁾
Chairman of Hurst Mfg. Corp.,
Princeton, Indiana,
Manufacturer of
electrical motors
(Retired Chairman of Potter &
Brumfield Division, AMF Inc.)

C. J. Fredricksen ⁽²⁾
Chairman of the
Executive Committee

Harold A. McInnes
President

Walter F. Raab
Vice Chairman of the Board
and Chief Financial Officer

Jeffrey J. Burdge ⁽¹⁾
President and Chief Executive
Officer, Harsco Corp.,
Harrisburg, PA,
Manufacturer of fabricated
metal products

R. D. DeNunzio ⁽¹⁾
President and Chairman
of the Executive Committee,
Kidder, Peabody & Co.,
Incorporated, New York, NY,
Investment bankers

Alexander P. Hixon ⁽²⁾
Chairman, Midland
Investment Company,
San Antonio, Texas,
Investments

R. E. Jordan ⁽¹⁾
President, L. B. Smith, Inc.,
Harrisburg, PA,
Construction equipment sales
and rentals

William S. West
Chairman and Chief Executive
Officer, The West Company,
Phoenixville, PA,
Manufacturer of packaging
components, principally for
the pharmaceutical and
hospital supply industries

Director Emeritus:

S. S. Auchincloss
Consultant to the
Corporation, Retired
President of
AMP Incorporated

⁽¹⁾ member, Audit Committee

⁽²⁾ member, Compensation Committee

**Annual
Shareholders'
Meetings**

The Annual Shareholders' Meetings of AMP Incorporated and Pamcor, Inc. are held the fourth Thursday of April. Formal notices, proxy statements and forms of proxy will be mailed on or about March 20, 1981 to shareholders of record on March 6, 1981 as to the April 23, 1981 meetings at 2:00 P.M. at 15 Exchange Place, Jersey City, New Jersey.

Subsidiaries and Branches

(all wholly owned and included in combined results)

AMP Products Corporation,
Valley Forge, Pennsylvania

AMP of Canada, Ltd.,
Toronto, Canada

AMP S.A. Argentina,
Buenos Aires, Argentina

AMP do Brasil Ltda.,
São Paulo, Brasil

AMP de Mexico, S.A.,
Mexico City, Mexico

AMP Österreich Ges.m.b.H.,
Vienna, Austria

AMP Belgium,*
Brussels, Belgium

AMP Danmark,*
Viby, Denmark

AMP Finland OY,
Helsinki, Finland

AMP de France,
Paris, France

AMP of Great Britain Limited,
London, England

AMP-Holland B.V.,
's-Hertogenbosch,
The Netherlands

AMP Ireland Limited,
Dublin, Ireland

AMP Italia S.p.A.,
Turin, Italy

AMP Norge A/S,
Oslo, Norway

AMP Española, S.A.,
Barcelona, Spain

AMP Svenska A.B.,
Stockholm, Sweden

AMP A.G.,
Lucerne, Switzerland

AMP Deutschland G.m.b.H.,
Frankfurt, West Germany

*Branch of AMP-Holland B.V.

Australian AMP Pty. Limited,
Sydney, Australia

AMP Products Pacific Ltd.,
Hong Kong

AMP (Japan), Ltd.,
Tokyo, Japan

New Zealand AMP Ltd.,
Auckland, New Zealand

AMP Singapore Pte. Ltd.,
Singapore

AMP Taiwan,
Taipei, Taiwan

AMP MARKETING ORGANIZATIONS

Data Systems Sales Division,
Harrisburg, PA
Serves U.S. computer and office equipment manufacturers.

Industrial Sales Division,
Harrisburg, PA
Serves most U.S. original equipment manufacturers (OEM's).

Telecom Division,
Harrisburg, PA
Serves U.S. telecommunication OEM's and operating telephone companies.

AMP Special Industries,
Valley Forge, PA
Serves tens of thousands of U.S. customers such as special OEM's, industrial maintenance users, airlines, shipyards, mines, contractors, electric and gas utilities, resale organizations, distributors, and other special markets.

AMP of Canada, Ltd.,
Toronto, Canada
Serves all Canadian customers.

Subsidiaries in Latin America, Europe, and the Far East

These 23 subsidiaries and branches have manufacturing, engineering, and marketing capabilities using the same basic AMP approach. Each has an industrial marketing unit to serve OEM's and an AMPLIVERSAL division for the maintenance, utility, and other non-OEM markets.

AMP has over 1,000 distributors worldwide.

In 1980 we invested a record \$113 million in capital expenditures for land, buildings, and equipment. We added 400,000 sq. ft. of floor space to bring our worldwide

total to 6,300,000 sq. ft. in over 150 facilities. Shown here are some of the buildings completed in the past year.



Warehouse—68,000 sq. ft.
Turin, Italy



Engineering & Administration—96,000 sq. ft.
2901 Fulling Mill Road, Harrisburg, PA



Tool Production—42,000 sq. ft.
Mt. Sidney, VA



Connector Production—54,000 sq. ft.
Gum Tree Road, Winston-Salem, NC



Connector Production—44,000 sq. ft.
Loganville, PA

AMP means productivity.